# SUBCOMMITTEE NO. 3 Agenda
# Health, Human Services, Labor & Veteran's Affairs

**Chair, Senator Elaine K. Alquist**
**Senator Alex Padilla**
**Senator Mark Wyland**

## Agenda – Part A

**Friday, May 23, 2008**
**10:00 a.m.**
**Room 4203 (John L. Burton Hearing Room)**
(Eileen Cubanski, Consultant)

### Vote-Only Agenda



### Discussion Agenda



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# Vote-Only Agenda

## 0530 Health and Human Services Agency – Office of Systems Integration (OSI)
## 5180 Department of Social Services (DSS)

## Vote-Only Issue 1: Child Welfare System/Case Management System (CWS/CMS)

**Description:** At the April 14, 2008 hearing, the Subcommittee discussed the following requests included in the Governor's Budget for the Child Welfare System/Case Management System (CWS/CMS) for 2008-09:

- Maintenance and Operation (M&O) for Current CWS/CMS: Reduce by $301,000 ($166,000 General Fund). The reduction is comprised of a $1.9 million decrease for the prime vendor and technical assistance, and a $1.6 million increase for data center services.

- CWS/CMS New System Project (NSP): Increase by $3.8 million. This increase is comprised of a $1.3 million increase and the conversion of five limited-term positions to permanent for the Office of Systems Integration (OSI) and a $2.5 million ($1.1 million General Fund) increase in local assistance.

- NSP Staff for the Department of Social Services (DSS): Increase by $202,000 ($92,000 General Fund) and two, two-year positions to support activities associated with the planning, vendor selection, detailed system design, implementation, and transition to the new CWS/CMS.

As part of their analysis of the 2008-09 Governor's Budget, the Legislative Analyst's Office (LAO) examined the study of the system architecture that the Administration conducted in 2005 in response to federal Administration on Children and Families (ACF) concerns and as a condition of restored federal funding. Based on their examination, the LAO recommended NSP be cancelled, that the current system be updated, and that the missing SACWIS requirements be added. In response to the LAO recommendation, IBM submitted a proposal with the estimated costs of implementing the LAO alternative. A workgroup consisting of the LAO, OSI, and county representatives was convened to analyze the IBM proposal and whether that proposal meets the needs of the counties. The Subcommittee held the item open at the April 14 hearing pending additional information on the LAO and IBM proposals.

Based upon further discussions of the workgroup, it has been determined that the LAO proposal may not result in the savings estimated or provide the functionality needed by the counties.

**Staff Recommendation:** Approve the request for funding for the NSP, M&O, and for NSP staff for DSS. The funding for M&O shall conform to the action taken by the Subcommittee on May 5 to adopt the alternative to eliminating the ISAWS Migration Project.

## Vote-Only Issue 2: Case Management Information and Payrolling System Replacement (CMIPS II) Project

**Description:** At the April 14, 2008 hearing, the Subcommittee discussed the following requests included in the Governor's Budget for the Case Management Information and Payrolling System Replacement (CMIPS II) project:

- Current Year Adjustment: Reduce by $7.8 million. This reduction is comprised of a $7.7 million reduction in OSI and a $136,000 reduction in DSS as a result of a delayed start of state staff and related operating expenses and equipment, and contract negotiations resulting in a net decrease for software purchase and customization.

- Implementation Phase of CMIPS II: Increase by $89.6 million ($48.1 million General Fund), which includes $2.8 million in local assistance costs for counties, and 14 positions for implementation activities.

- CMIPS II Staff for DSS: Increase by $1.3 million ($671,000 General Fund), convert four existing limited-term positions to permanent, and add 10 additional three-year limited-term positions to support CMIPS II activities including design, development, and implementation efforts.

At the time the issue was heard in Subcommittee, OSI had just been approved to receive enhanced federal funding for specified elements of the CMIPS II design, development, and ongoing maintenance costs. The May Revision includes this enhanced federal funding, which reduces the General Fund need by $14.5 million. At the May 5, 2008 hearing, the Subcommittee directed that this General Fund be used to preserve the ISAWS Migration Project.

**Staff Recommendation:** Approve the request for funding for CMIPS II as revised by the May Revision and conforming to the Subcommittee's prior action to adopt the alternative to eliminating the ISAWS Migration Project. Approve funding and staff as requested for DSS, except that the four positions requested to be made permanent shall be three-year limited-term.

## 4170 California Department of Aging (CDA)

### Vote-Only Issue 3: Health Insurance Counseling and Advocacy Program (HICAP) Federal Funds Augmentation

**Description:** The May Revision requests a federal fund authority augmentation of $514,000 for the existing HICAP administered by the California Department of Aging. Of this funding, $392,000 will be for local assistance and $122,000 will be for state operations. The federal HICAP grant will increase from $2.5 million to $3.0 million. The Centers for Medicare and Medicaid Services has added additional responsibilities to the program at both the state and local level, including a focus on the following new areas: outreach and prescription drug counseling to Medicare beneficiaries with mental illness who are dually eligible for Medicaid; education and outreach to low-income subsidy eligible Medicare beneficiaries; establishment of a Mystery Shopper program; distributing a CMS-supported Fraud Toolkit brochure; distributing the CMS-supported booklet “Taking Care of Tomorrow;” and translating and distributing Medicare fact sheets.

**Staff Recommendation:** Approve the requested increase in federal fund authority.

### Vote-Only Issue 4: Senior Nutrition Programs Budget Balancing Reductions (BBRs)

**Description:** The Governor’s Budget proposed a reduction of $629,000 General Fund to senior nutrition programs including the following:

- Home-Delivered Meals – Reduce by $316,000 General Fund
- Congregate Nutrition – Reduce by $253,000 General Fund
- Brown Bag Program – Reduce by $60,000 General Fund

The proposed cuts and their impacts were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Reject the proposed reductions to Home-Delivered Meals, Congregate Nutrition, and the Brown Bag Program. These programs serve low income seniors who will be particularly hard-hit by the recent dramatic increases in food prices.

### Vote-Only Issue 5: Alzheimer’s Day Care Resource Centers BBR

**Description:** The Governor’s Budget proposed a reduction of $416,000 General Fund to the Alzheimer’s Day Care Resource Center (ADCRC) program. The ADCRC program provides day care to persons 18 years or older with Alzheimer's disease and other related dementias who are often unable to be served by other programs due to their advanced dementia. This proposed cut and its impact were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Reject the proposed reduction.

## Vote-Only Issue 6: Linkages Program and Multipurpose Senior Services Program (MSSP) BBRs

**Description:** The Governor's Budget proposed a reduction of $544,000 General Fund to the Linkages Program and $5.052 million ($2.526 million General Fund) to the MSSP. (The $2.526 in federal funding is in the Department of Health Care Services' (DHCS') budget and the $2.526 million in General Fund is in the California Department of Aging's (CDA's) budget.)

The Linkages Program provides care management services to elderly and younger adults aged 18 and older with functional impairments who are at risk of institutionalization. There is $8.264 million General Fund for the Linkages Program in 2007-08. The proposed reduction would leave $7.720 million General Fund in 2008-09. The proposed $544,000 reduction would be allocated equally across all sites. This proposal would result in a $15,111 reduction to each of 36 sites and would reduce the number of individuals served statewide by an estimated 335.

The MSSP's primary objective is to maintain elderly (65 years or older) Medi-Cal individuals, who meet the nursing home level of care, in community settings, thus preventing or delaying inappropriate nursing facility placement. There is $50.514 million ($25.257 million General Fund) for the MSSP in 2007-08. The proposed reduction would leave $45.464 million ($22.732 million General Fund) in 2008-09. The proposed cut would be distributed equally among the 41 MSSP sites. 1,380 clients will be reduced from the program statewide. The CDA estimates that the proposed reduction could be achieved through client attrition. About 300 clients leave MSSP each month for such reasons as nursing facility placement or death. If local MSSP sites do not add new clients to fill the slots left vacant, the reduction could be achieved in approximately four months.

The proposed cuts and their impacts were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Approve the proposed reductions (including the May Revision technical adjustment to schedule the MSSP General Fund and federal fund reductions in the appropriate items within DHCS and CDA). Notwithstanding the benefits of these programs, these reductions are necessitated by the fiscal crisis. It will be critical to preserve the actual services that these clients receive.

## Vote-Only Issue 7: Respite Purchase of Service and Senior Companion Program BBRs

**Description:** The Governor's Budget proposes a total of $70,000 General Fund reductions to two programs that provide respite and other day care services to seniors with physical, emotional, and mental health limitations. These programs include:

Respite Purchase of Service – Reduce by $35,000 General Fund
Senior Companion Program – Reduce by $35,000 General Fund

The Respite Purchase of Service (RPOS) program provides limited funding for the purchase of temporary services for frail elderly or adults with functional impairments. There is $426,000 General Fund for the RPOS program in 2007-08. The proposed reduction would leave $391,000 General Fund in 2008-09. The $35,000 reduction would be reduced from each of the 29 respite programs. This means that each program will be reduced by $1,216. Approximately $450 is allocated to each client for services. Therefore, this reduction will result in an estimated 78 fewer clients being served.

The Senior Companion Program (SCP) is a dual purpose program. It provides services to low-income seniors with physical, emotional, or mental health limitations, the majority of whom are considered at-risk for placement in a nursing home, and it provides low-income senior volunteers a tax exempt stipend of $2.65 per hour to provide peer support to frail older persons in their local communities. There is $398,000 General Fund for the SCP in 2007-08. The proposed reduction would leave $363,000 General Fund in 2008-09. The reduction would be allocated to the each of the 16 funded SCPs statewide. This reduction would result in a reduction of 8 volunteer positions statewide. In order to spread the reduction equally among the 16 programs, each SCP's allocation would be reduced by $2,188 or the approximate equivalent of one-half of a volunteer position.

The proposed cuts and their impacts were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Approve the proposed reductions. These reductions are necessitated by the fiscal crisis.

## Vote-Only Issue 8: Long-Term Care Ombudsman BBR

**Description:** The Governor's Budget proposed a reduction of $250,000 General Fund to the Long-Term Care (LTC) Ombudsman program. Long-Term Care Ombudsman representatives act as advocates for frail, elderly, and disabled residents who live in more than 9,000 LTC facilities throughout California.

There is $3.869 million General Fund for the LTC Ombudsman program in 2007-08. The proposed reduction would leave $3.572 million General Fund in 2008-09. Reductions would be made to all local LTC Ombudsman programs and would be allocated using the statutory LTC Ombudsman funding formula. To achieve the proposed reductions, reductions would have to occur in staffing and operating expenses. Local program reductions would range from $980 to $33,000 depending upon the size of the program. It is expected that most programs would eliminate part-time staff positions and reduce operating expenses, such as reimbursement to LTC Ombudsman volunteers for mileage and travel expenses.

The proposed cuts and their impacts were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Approve the proposed reductions. These reductions are necessitated by the fiscal crisis. Previous action by the Subcommittee to reject proposed cuts to Community Care Licensing will hopefully help to mitigate this reduction.

## Vote-Only Issue 9: Area Agencies on Aging (AAAs) Administration BBR

**Description:** The Governor's Budget proposes a reduction of $99,000 General Fund provided to the AAAs for Administration. Administration activities include planning, contract administration, financial management, training, and policy development. The proposed reduction will not decrease the workload associated with the administration of the community based service programs. However, each AAA will be allowed to implement the funding reduction based on their local administrative requirements. The overall impact of this reduction on the AAAs will range from about $1,000 to $10,000, depending on the size of the program.

The proposed cuts and their impacts were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Approve the proposed reductions. These reductions are necessitated by the fiscal crisis and are consistent with cuts to administration that all state departments are taking.

## Vote-Only Issue 10: Senior Legal Hotline BBR

**Description:** The Governor's Budget proposes to reduce funding for the Senior Legal Hotline (SLH) by $25,000 General Fund, which is 10 percent of the total allocation to the SLH. The CDA has no state operations supporting this program. This is the first fiscal year that this program has received a General Fund appropriation so there is no data available on the known impacts of a reduction. The CDA's current year contract with SLH requires SLH to provide a minimum of 3,000 hours in legal casework, which amounts to approximately 2,500 new cases.

The Senior Legal Hotline (SLH) provides brief telephone services to older Californians age 60 and older who seek legal help with issues including wills, landlord/tenant disputes, social security and health benefits, and scams. It is not a means-tested service (i.e., there are no income eligibility requirements for clients). SLH, a program provided by Legal Services of Northern California, relies on Older Americans Act funds (Title III), private foundation grants, and donations to support its activities. This is the first year the SLH has received state funding. Previously, SLH had received approximately $100,000 annually in federal discretionary grant funds from the Administration on Aging, but that federal grant is now only available to state agencies. The CDA partnered with the SLH in August 2007 to apply for the three-year grant but was unsuccessful in its effort.

The LAO recommended eliminating the SLH in their alternative budget. They identified $11 million in other funding and in-kind services for legal services within the AAAs. The proposed cuts and their impacts were discussed in Subcommittee on April 21, 2008.

**Staff Recommendation:** Approve the proposed reduction. This reduction is necessitated by the fiscal crisis.

## 4200 Department of Alcohol and Drug Programs (ADP)

### Vote-Only Issue 11: Drug Medi-Cal

**Description:** The May Revision requests that Item 4200-103-0001 be increased by $13,215,000 and Reimbursements be increased by $10,630,000 to reflect revised caseload and utilization estimates. The Regular Drug Medi-Cal population is projected to be 215,956 in fiscal year 2008-09, an increase of 9,286, or 4.5 percent from the Governor's Budget. In addition to caseload adjustments, the May Revision Estimate reflects an increase in average units of service (UOS) for the Narcotic Treatment Program (NTP) modality.

In July 2006, the California Outcomes Measurement System (CalOMS) replaced the California Alcohol and Drug Data System (CADDS) as the data collection system through which counties and direct contract providers report client treatment admission and discharge data across all Drug Medi-Cal modalities. However, due to inconsistencies in the data between the two systems and ongoing validation of the CalOMS data within the NTP modality, the 2007 November Estimate for the NTP was based only on CADDS data. Subsequently, the Department of Alcohol and Drug Programs completed the CalOMS data validation and determined the actual NTP caseload for 2006-07 was over 16,000 less than previously estimated due to the removal of a large number of inactive cases. The removal of these cases results in a significant increase in average UOS, the measure of utilization for Drug Medi-Cal services.

The May Revision further requests that Item 4200-102-0001 be increased by $146,000 and Reimbursements be increased by $146,000 to reflect revised caseload and utilization estimates for the Perinatal Drug Medi-Cal population. Caseload is projected to be 9,670 in 2008-09, a decrease of 446, or 4.4 percent from the Governor's Budget. This is a result of increases in the Outpatient Drug Free and Day Care Rehabilitative caseloads, offset by reduced caseload in the NTP and Perinatal Residential modalities.

The May Revision also continues to contain the proposed 10 percent reduction to Drug Medi-Cal rates and trailer bill language implementing the rate cut that would change the rate calculation methodology and give the Department of Alcohol and Drug Programs (ADP) authority to implement Drug Medi-Cal rates through All-County Letters and exempt them from the rulemaking process. This proposed cut and trailer bill language were discussed in Subcommittee on April 14, 2008 and held open.

**Staff Recommendation:** Approve the revised Drug Medi-Cal caseload and other adjustments, and reject the proposed 10 percent cut to Drug Medi-Cal rates and all associated trailer bill language. The Drug Medi-Cal Program is a preventive program that results in cost savings in other areas of the budget.

## 4700 Department of Community Services and Development (CSD)

### Vote-Only Issue 12: Naturalization Services Program

**Description:** The Governor's Budget proposes a reduction of $300,000 General Fund, which is a ten percent reduction, to the Naturalization Services Program (NSP).

The NSP, through contracts with 32 community-based organizations throughout California, assists legal permanent residents in obtaining citizenship by providing services that include outreach, intake, assessment, collaboration with and referral to other organizations, citizenship application assistance, citizenship testing and interview preparation, and follow-up activities. The program assists an average of 12,000 individuals annually in the completion of citizenship applications. Positive outcomes as a result of NSP and citizenship include improved employment opportunities for citizens, and reduced caseload for state-only programs such as the Cash Assistance Program for Immigrants (CAPI), as citizens may qualify for the federally-funded Supplemental Security Income (SSI) program. The Department of Community Services and Development (CSD) estimates that proposed reduction will result in 1,130 legal residents not receiving assistance.

In their alternative budget proposal, the Legislative Analyst's Office (LAO) recommends reducing the NSP by $1.3 million General Fund. They indicate that the remaining funding of $1.7 million will maintain support for a core group of contracted community-based organizations that deliver these services.

This issue and the impacts of the cuts were discussed in Subcommittee on May 5, 2008.

**Staff Recommendation:** Approve the proposed $300,000 reduction. Notwithstanding the value of these services, this reduction is necessitated by the fiscal crisis and the need to protect direct services to low income individuals. However, as testified to by CSD on May 5, the LAO's proposed reduction will result in the complete inability of some community-based organizations to provide services and is too deep.

## Vote-Only Issue 13: Office Relocation

**Description:** The May Revision requests $957,000 ($19,000 General Fund) to provide funding for expenses associated with CSD's anticipated relocation. There is also provisional language proposed that would allow these funds to be used only for facilities relocation upon approval by the Department of Finance.

The CSD leases office space in a building owned by the Lottery Commission and was notified by the Lottery that they would have to vacate their office space sometime during the spring of 2009. The Lottery plans to renovate and rebuild all of the structures on this site. The exact timing of the relocation is still being negotiated with the Lottery, therefore, the amount of funding needed for 2008-09 is not completely known.

**Staff Recommendation:** Approve the requested funding and provisional budget language.

# 5160 Department of Rehabilitation (DOR)

## Vote-Only Issue 14: Reduce Headquarters Budget Balancing Reduction (BBR)

**Description:** The Governor proposes a $700,000 ($150,000 General Fund) reduction and elimination of 4.5 positions from the Department of Rehabilitation (DOR) headquarters. DOR headquarters staff is responsible for the central administrative support activities essential to the DOR's basic operations. Services include the administration of the Vocational Rehabilitation and Independent Living programs, legal affairs, civil rights, audit services, and administrative support.

**Staff Recommendation:** Approve the reduction.

## Vote-Only Issue 15: Operating Expenses Budget Balancing Reduction

**Description:** The Governor proposes a $4.2 million ($638,000 General Fund) reduction to operating expenses in DOR in 2008-09, which would increase to $4.8 million ($1.0 million General Fund) in 2009-10 and annually thereafter. Although DOR originally stated that the savings would result from the closure of 10-15 district offices throughout the State, there would be no savings associated with district office closures until 2009-10. All of the reduction in 2008-09 and the majority of the reduction in 2009-10 would be to general expense, printing, postage, travel, training, consultant services, data center services, and equipment.

The Subcommittee discussed the issue of closing district offices at the April 14, 2008 hearing. At that time, DOR was convening internal meetings to determine which offices to close. DOR committed to providing a specific plan for the closure of district offices, including timelines, specific offices identified, and expected impact on service-delivery by April 30, 2008, to provide sufficient time for legislative staff to review the information. However, that information was not provided until the May Revision and it is still in draft form. Therefore, the Legislature does not have sufficient information to determine the feasibility of DOR's proposal.

**Staff Recommendation:** Approve the $4.2 million ($638,000 General Fund) reduction to operating expenses for 2008-09 and ongoing (including the May Revision technical adjustment as appropriate. Reject the proposal to close district offices as there is no budget year savings and the Legislature does not have adequate information at this time.

## Vote-Only Issue 16: Vocational Rehabilitation Supported Employment and Work Activity Program Caseload and Rates

**Description:** At the April 14, 2008 hearing, the Subcommittee discussed the caseload changes to the Vocational Rehabilitation Supported Employment Program (VR/SEP) and Vocational Rehabilitation Work Activity Program (VR/WAP). The Governor's Budget requested an increase of $4.9 million ($479,000 General Fund) to fund increased caseload. The issue was held open pending any caseload adjustments in the May Revision.

In addition, the Governor's Budget proposed a 10 percent rate cut to the Supported Employment Program, which would result in savings of $728,000 General Fund in DOR's budget. This issue was heard with the Department of Developmental Services' budget in Subcommittee on April 17, 2008.

**Staff Recommendation:** Adopt the VR/SEP and VR/WAP caseload and conform to the Subcommittee's action on May 21, 2008 on the SEP rate.

## 5175 Department of Child Support Services (DCSS)

### Vote-Only Issue 17: Enterprise Customer Service Solution (ECSS) Contract Extension

**Description:** The Department of Child Support Services (DCSS) has submitted a spring Finance Letter requesting $5.7 million ($1.9 million General Fund) in reappropriation funding to allow the California Child Support Automation System (CCSAS) business partner to continue to provide maintenance and support for the ECSS until September 30, 2010. The ECSS consists of a central state Contact Center for Non IV-D customers, a central self-service interactive voice response system, a central call routing engine, and standardized hardware and software for Local Child Support Agencies (LCSAs) and the state call center. The budget request will enable the current business partner to provide support, maintain the current quality of service, and continue the level of access of the child support customer information during and post final transition of the LCSAs to the child support enforcement (CSE) system. DCSS is currently considering options for ongoing maintenance and operations of the ECSS past September 2010 once the system transition is complete. The total 24-month ECSS contract service project costs are $23.9 million.

**Staff Recommendation:** Approve the request.

### Vote-Only Issue 18: Central Print and Mail Services

**Description:** DCSS has submitted a spring Finance Letter requesting the transfer of $12.6 million ($4.3 million General Fund) from local assistance to state operations to print and mail child support forms and notices through the Office of State Publishing (OSP). These forms and notices were originally generated locally, but as LCSAs move to the statewide CCSAS system, they will be generated by the State. The costs of these functions are based on estimated contract cost with the OSP. In the event that the actual costs are less than projected, DCSS has proposed budget bill language that would permit them to transfer the extra funds back to local assistance.

**Staff Recommendation:** Approve the requested transfer of $12.6 million ($4.3 million General Fund) from state operations to local assistance and the following provisional budget bill language:

Add to Item 5175-002-0001:

"In the event the actual costs to print and mail child support forms and notices through the Office of State Publishing are less than $6,300,000 the department shall transfer funds from this item to Item 5175-101-0001 upon approval by the Department of Finance."

Add to Item 5175-002-0890:

"In the event the actual costs to print and mail child support forms and notices through the Office of State Publishing are less than $12,200,000, the department shall transfer funds from this item to Item 5175-101-0891 upon approval by the Department of Finance."

## Vote-Only Issue 19: CCSAS User Administration Support

**Description:** DCSS has submitted a spring Finance Letter requesting the continuation of two limited-term positions for an additional two years and continued redirection of contract funding of $158,000 ($63,000 General Fund) to fund the positions. These positions were initially provided in 2007-08 for one year to allow DCSS to maintain system security access for CCSAS users and to provide training to LCSA system administrators. Although DCSS expects this workload to be ongoing, they will not be sure at what level until transition to CCSAS is complete. The Legislative Analyst's Office recommends that one of these positions be made permanent now in order to reduce the turnover that is created by limited-term positions because the nature of this workload is such that excessive turnover could have security risks.

**Staff Recommendation:** Approve the request and make one of the two requested positions permanent.

## Vote-Only Issue 20: Judicial Council Contract Budget Balancing Reduction (BBR)

**Description:** DCSS has submitted a revision to the BBR proposed in January to reduce the Judicial Council Contract that provides for court commissioner, family law facilitator, support staff salaries, and court expenses necessary to establish and adjust child support orders for all child support cases. As originally proposed on January 10, this proposal would have actually resulted in greater General Fund revenue losses than the savings from the contract reduction due to reductions in the establishment of child support orders. To address this problem, DCSS has secured agreement from the courts that they will redirect $1.5 million in trial court funding to backfill the General Fund reduction to ensure that there is no loss in General Fund revenue. In addition, the courts will receive an additional $5.5 million in federal funds to provide a federal match to child support hearing costs that the courts are absorbing with trial court funds.

**Staff Recommendation:** Approve the revised BBR.

## Vote-Only Issue 21: Child Support State Hearings BBR

**Description:** As part of the 10 percent across-the-board reduction for DCSS, the Governor proposed, in January, to reduce funding for child support state hearings by $538,000 ($183,000 General Fund) and modify the child support complaint resolution process in order to better determine which issues should go forward to a formal state hearing. When this issue was first heard in Subcommittee on March 24, DCSS did not have a specific process developed yet and had proposed trailer bill language that would simply give the Director of DCSS the authority to determine the method the department would use for child support hearings without specifying what that method would be. DCSS stated they were working to develop a specific proposal and would provide that to the Legislature for consideration when it was developed. The proposed BBR was held open pending receipt of a specific proposal.

On May 12, DCSS submitted to subcommittee staff a proposal to modify the state hearing process based on a pilot project that the Department has been testing since November 2007. Under the pilot process, after all requests for state hearing are received and logged in at the State Hearing Office, they are sent to DCSS pilot staff for review and customer service. Within 10 days, DCSS pilot staff contact both the customer and the LCSA to attempt to resolve the problem outside the state hearing process and ensure that the customer has gone through the appropriate administrative steps prior to state hearing to resolve the problem. DCSS states that the pilot process has provided preliminary evidence that early intervention by DCSS can provide better customer service and complaint resolution, and reduce the number of state hearings.

Although DCSS acknowledges that the pilot project has not operated long enough to provide data on which to form definitive conclusions, DCSS would like to expand this pilot statewide to achieve the estimated savings in the state hearing process. However, DCSS has not demonstrated that the pilot process will result in the savings estimated, it is not clear whether there would be additional state costs related to the DCSS staff needed to implement the pilot statewide, and the DCSS has not revised the trailer bill language to implement their proposal, but instead continues with language that simply gives the Director of DCSS broad authority to determine the hearing method the department would use. As a result, adoption of this proposal is premature.

**Staff Recommendation:** Reject the proposed BBR. As an alternative, adopt the $183,000 General Fund in estimated savings, but provide $183,000 General Fund in reappropriation funding for one year to continue the current state hearing process. Adopt trailer bill language that would require DCSS to provide by January 10, 2009 the following: 1) more comprehensive data from the state hearing pilot project that demonstrates that the pilot has reduced state hearings; 2) a breakdown of how the pilot's revised hearing process results in the estimated savings to state hearing costs; and 3) trailer bill language that puts the specific new hearing process in statute.

## Vote-Only Issue 22: Child Support Transitional Arrearages Savings

**Description:** As part of the 2006-07 budget, $28.5 million ($25.5 million General Fund) was provided to DCSS to resolve an issue with creation of arrears (outstanding child support obligations) due to a payment processing change implemented by the State. In developing CCSAS, the State changed the method by which the date of payment for child support is recorded from the date of withholding from a non-custodial parent's (NCPs) wages to the date the payment is received by the State. This change has resulted in the creation of an arrearage balance for some NCPs. The funding allowed the State to make payments on behalf of affected NCPs in 2006-07 to clear their arrearage balances. The NCPs then repaid these obligations upon termination of their child support orders.

Of the $25.5 million in General Fund provided, DCSS ended up only needing $10.5 million General Fund. Instead of reverting the $15 million in General Fund savings, DCSS proposes to reappropriate those savings. DCSS has been provided authority to reappropriate funds from 2002 and each year thereafter to cover unanticipated costs associated with the CCSAS project. This reappropriation authority has helped to ensure that the CCSAS project stays on schedule since there is funding set aside that can be tapped into quickly as approved needs arise. However, given the current fiscal situation and the significant overestimation of the need for funding in 2006-07 for its original purpose of paying arrearages, it is valid to consider reverting the $15 million General Fund.

**Staff Recommendation:** Revert $14.817 million General Fund from 2006-07. This amount is the difference between the $15 million that was not needed in 2006-07 to pay arrearages on behalf of NCPs and the $183,000 General Fund that is reappropriated pursuant to the staff recommendation in Vote Only Issue 21 to continue funding state hearings.

## Vote-Only Issue 23: State Disbursement Unit (SDU) Service Provider Contract

**Description:** The May Revision reflects savings of $5.5 million ($1.6 million General Fund) for reduced SDU Service Provider contract costs due to a decrease in transaction volume.

**Staff Recommendation:** Approve the reduction.

## Vote-Only Issue 24: County Match for Administration

**Description:** The May Revision requests $6.4 million in federal fund authority to allow participating counties, and counties wishing to participate, the ability to increase their federal fund participation level through the use of their county matching funds.

**Staff Recommendation:** Approve the request.

## Vote-Only Issue 25: CCSAS Transfer from the Franchise Tax Board (FTB)

**Description:** DCSS has submitted a spring Finance Letter request to transfer $44.5 million General Fund and 146 positions from the FTB to DCSS for CCSAS and requests associated budget bill and trailer bill language. The transfer would be accomplished in two phases. In phase one, the transfer of legislative authority and funding would occur on July 1, 2008. In phase two, the transfer of positions will occur on January 1, 2009, after the Child Support Enforcement (CSE) component of CCSAS is fully implemented in all counties.

The May Revision also included two technical adjustments related to this transfer to correct for funding that was inappropriately budgeted as state operations rather than local assistance for the CCSAS related Wide Area Network costs and one technical adjustment to include local assistance funding transferring from state operations to local assistance that was inadvertently omitted from the spring Finance Letter. These adjustments would result in a reduction of $3.0 million ($1.1 million General Fund) to state operations and an increase of $3.5 million ($1.1 million General Fund) to local assistance.

**Staff Recommendation:** Approve the transfer of positions and funding from FTB to DCSS and the associated May Revision technical adjustments. Approve the proposed trailer bill and budget bill language, and add trailer bill language that states that the transfer of staff from FTB to DCSS shall not occur until the federal funding cap placed on the CCSAS project is lifted.

## Vote-Only Issue 26: California Child Support Automation System (CCSAS)

**Description:** The DCSS submitted a spring Finance Letter requesting $4.3 million ($2.3 million General Fund) to align the project budget with the latest approved CCSAS planning documents. The funding will be provided through 2005-06 reappropriated funds.

In addition, the May Revision requests that federal fund authority for the CCSAS project be increased by $269,000 to align the federal fund authority with the actual federal financial participation.

**Staff Recommendation:** Approve the spring Finance Letter and May Revision adjustment.

## Vote-Only Issue 27: Federal Tax Refund Intercept Fees

**Description:** The May Revision requests $881,000 ($299,000 General Fund) to cover the increased costs for fees charged for the Federal Income Tax intercepts related to an increased number of intercepts. The Internal Revenue Services charges a fee of $14.65 for every federal income tax intercept. Intercepts are anticipated to increase as a result of the one-time Economic Stimulus Act and because intercepts may now be done for non-minors. The current intercept fees are funded from Local Child Support Agency (LCSA) administrative funding, but the amount set aside for intercept fees is fully expended.

**Staff Recommendation:** Approve the May Revision request.

## Vote-Only Issue 28: Compromise of Arrears Program (COAP)

**Description:** The Governor's Budget proposed $700,000 ($230,000 General Fund) and 7.5 permanent positions to extend the Compromise of Arrears Program (COAP). The budget also proposed trailer bill language to extend the sunset for the COAP two years, from June 30, 2008 to June 30, 2010, as well as other changes intended to improve the program.

In the March 24, 2008 hearing, the Subcommittee approved the funding and positions on a one-year limited-term basis, extended the sunset date for COAP in the trailer bill language until 2009, and rejected the additional proposed changes to the program in the trailer bill language pending a comprehensive COAP proposal. The Subcommittee took this action because the program was being proposed as a temporary program but DCSS was requesting permanent positions; the proposed trailer bill language did not incorporate the outcomes of two reviews of COAP conducted by DCSS and the Program Review Unit within the Department of Finance (DOF); and the LAO had concerns with the trailer bill.

Since that hearing, DCSS has developed a multi-year plan to implement the recommendations of the two reports, revised the trailer bill language to address the LAO's concerns and make the program permanent, and has come to agreement with DOF that the positions should be made permanent.

**Staff Recommendation:** Rescind the Subcommittee's previous action. Approve the $700,000 ($230,000 General Fund) and 7.5 permanent positions on a permanent basis and approve the revised trailer bill language.

## 5180 Department of Social Services (DSS)

### Vote-Only Issue 29: May Revision Caseload Adjustments

**Description:** The May Revision proposes adjustments in funding to reflect caseload updates for CalWORKs, Foster Care, Adoptions Assistance, IHSS, SSI/SSP, Food Stamps Administration, and Child Welfare Services.

**Background:** The May Revision includes a net increase of $597,351,000 (increases of $18,399,000 General Fund, $447,921,000 Federal Trust Fund, $130,487,000 Reimbursements, and $544,000 Child Support Recovery Fund), due to the impact of caseload changes since the Governor's Budget. The May Revision reflects the following average monthly caseload in 2008-09, compared to 2007-08 caseload:

- **CalWORKs:** 461,000 cases (0.1 percent increase)
- **Non-Assistance Food Stamps:** 669,000 cases (8.8 percent increase)
- **SSI/SSP:** 1,274,000 cases (2.1 percent increase)
- **In-Home Supportive Services (IHSS):** 416,000 cases (4.8 percent increase)
- **Foster Care:** 71,000 cases (0.8 percent increase)
- **KinGAP:** 14,000 cases (1.6 percent decrease)
- **Adoptions Assistance Program (AAP):** 81,000 cases (5.7 percent increase)
- **Child Welfare Services:** 159,000 cases (0.1 percent decrease)

| Program | Item | Change Since Governor's Budget |
|---|---|---|
| **CalWORKs / Kin-GAP** | 5180-101-0001<br>5180-101-0890<br>5180-601-0995 | -$7,847,000<br>$347,685,000<br>$273,000 |
| **Foster Care** | 5180-101-0001<br>5180-101-0890<br>5180-101-8004<br>5180-141-0001<br>5180-141-0890 | $527,000<br>-$17,811,000<br>$544,000<br>$247,000<br>-$844,000 |
| **Adoption Assistance Program** | 5180-101-0001<br>5180-101-0890 | -$1,473,000<br>$1,166,000 |
| **Supplemental Security Income/State Supplementary Payment (SSI/SSP)** | 5180-111-0001 | $6,633,000 |
| **In-Home Supportive Services (IHSS)** | 5180-111-0001<br>5180-611-0995 | $46,321,000<br>$125,497,000 |
| **Child Welfare Services (CWS)** | 5180-151-0001<br>5180-151-0890<br>5180-651-0995 | $1,686,000<br>$27,688,000<br>$4,404,000 |
| **Other Assistance Payments** | 5180-101-0001<br>5180-101-0890 | -$42,809,000<br>$52,353,000 |
| **County Administration and Automation Projects** | 5180-141-0001<br>5180-141-0890<br>5180-641-0995 | $16,709,000<br>$37,482,000<br>$313,000 |
| **Title IV-E Waiver** | 5180-153-0001 | -$1,814,000 |
| **Remaining DSS Programs** | 5180-151-0001<br>5180-151-0890 | $219,000<br>$202,000 |

**Staff Recommendation:** Approve the May Revision adjustments in funding due to caseload updates (adjusted as appropriate for actions taken elsewhere in the agenda and conforming as appropriate to actions taken in other human services Subcommittee hearings).

## Vote-Only Issue 30: Adult Protective Services Program BBR

**Description:** The Governor's Budget proposed to reduce funding for the Adult Protective Services (APS) Program by $11.4 million ($6.1 million General Fund). This represents a ten percent cut to the total program funding. At the April 10, 2008 hearing, the Subcommittee discussed the Adult Protective Services (APS) Program, demand for APS services, and the underfunding of the program. The state funding level for APS has remained unchanged since 2002-03, while demand for services increases.

**Staff Recommendation:** Reject the proposed reduction. The APS program provides vital services to seniors and dependent adults and has been underfunded since it was established.

## Vote-Only Issue 31: Reduction in Child Welfare Services Allocation

**Description:** The Governor's Budget proposes to reduce the Child Welfare Services (CWS) allocation by $129.6 million ($83.7 million General Fund). This is an 11.4 percent reduction to the General Fund portion of the CWS allocation, excluding funds for the Child Welfare Services Case Management System, the Adoptions Program, and the Child Abuse Prevention Program. This issue was discussed in Subcommittee on April 14, 2008.

Social workers and their support costs represent the majority of the CWS budget, which means that the proposed CWS reduction is likely to result in counties substantially reducing the number of social workers. The proposed reduction represents about 87 percent of the CWS augmentation and OIP monies. Therefore, a reversal of some of the progress made by counties to meet the SB 2030 standards may occur. The LAO estimates that the proposed reduction would result in an overall decrease of 630 full-time equivalent (FTE) social workers. Other estimates of the number of social workers that will be lost indicate it is as high as 1,000 workers statewide. The practical effect of cutting the number of social workers is that child safety and well-being will be jeopardized and systemic improvement efforts will be hampered.

County CWS agencies are also monitored and held accountable to state and federally mandated outcome measures. California, like most other states, did not meet all required outcomes under the federal Child and Family Service Review in 2002, but has been able to achieve significant improvement since that time. Still, California is facing an $8.9 million federal fiscal penalty, which DSS is appealing. The State is now undergoing its second federal review and will again be expected to make improvements or face fiscal penalties of approximately $80 million. There are significant concerns that the proposed CWS reduction will make it impossible for counties to meet required outcomes and achieve systemic reforms to avoid federal fiscal penalties.

There have been no adjustments to county allocations to account for inflation in any DSS programs since 2001-02. By the Administration's estimates, the shortfall in the amount of administrative funding needed by the counties and actually provided is over $1.1 billion (almost $633 million General Fund) annually. In the CWS program alone, the underfunding is estimated to be $649 million ($291 million General Fund). Counties have partially covered the shortfall by overmatching the State's contribution with local dollars by more than $150 million annually. The proposed CWS reduction will further exacerbate this historic funding shortfall.

It is also unclear how the proposed CWS reduction will be implemented. The DSS indicates that statutory changes are not necessary to implement the reduction and that counties have the "flexibility" to choose how to apportion the reduction to various CWS program expenditures. However, the services provided through the CWS program are mandated by state and federal law and regulation, so it not clear what counties could avoid doing without potentially running afoul of program requirements. Furthermore, CWS program funds are allocated to the counties for specific services and functions. Counties do not have the statutory authority to move monies from one function to another to align with local decisions about where to make the CWS cuts.

**Staff Recommendation:** Reject the proposed reduction. These are vital services to the State's most vulnerable children.

## Vote-Only Issue 32: Program Improvement Plan Penalty

**Description:** The May Revision requests an increase of $9.4 million General Fund related to the federal assessment of a Program Improvement Plan Penalty. California failed to meet a compliance measure related to the stability of foster care placements in the first federal Child and Family Services Review and subsequently has been levied a federal penalty in the amount of $9.0 million. In March 2008, the DSS appealed this penalty based on concerns with the methodology and data used to evaluate the state's performance. Beginning in March 2008, interest will accrue at a cost of approximately $100,000 per month. The May Revision proposes payment of the penalty to avoid the accrual of further interest charges, but DSS will continue to appeal. If the DSS is successful in its appeal it would not have to pay the penalty or interest. If the appeal is unsuccessful, the DSS would pursue a settlement agreement to reduce the penalty and/or permit program reinvestment of the penalty amount.

**Staff Recommendation:** Approve the request.

## Vote-Only Issue 33: Children and Family Services Review Consultant Contract

**Description:** The May Revision requests an increase of $300,000 ($188,000 General Fund) for a county contractor to coordinate the implementation of the state Program Improvement Plan (PIP). The funds would be used to hire a contractor to complete research and prepare the Statewide Self Assessment. In addition, funding is needed to support preparation and completion of the onsite review in three counties and development of the PIP.

California's second Federal Child and Family Services Review recently was completed and preliminary findings indicate that the state will not achieve substantial conformity on all safety, permanency, and well-being outcomes assessed in the review. Although the DSS has yet to receive final federal findings, the submittal of the state's Program Improvement Plan will be required within 90 days of federal notification of the state's failure to pass the review. Therefore the DSS would need the additional funding for contract services to implement the Program Improvement Plan in the counties in 2008-09.

**Staff Recommendation:** Approve the request.

## Vote-Only Issue 34: 10 Percent Reduction to the Basic Care, Specialized Care, and Clothing Allowance Rates for the Foster Care, Kin-GAP, and Adoption Assistance Program

**Description:** The Governor's Budget proposed a 10 percent cut to basic care, specialized care, and clothing allowance rates for foster family homes (FFHs) and group homes (GHs), including those serving children who are seriously emotionally disturbed (SED), KinGAP, and the Adoption Assistance Program (AAP). Foster family agencies (FFAs) are proposed to receive a 5 percent rate cut. Trailer bill language is provided to implement the proposed rate cuts.

The cut was originally estimated to save $10.9 million ($6.8 million General Fund) in 2007-08 and $130.8 million ($81.5 million General Fund) in 2008-09 and annually thereafter. This issue was heard by the full Senate Committee on Budget and Fiscal Review on January 30, 2008 and the current year reduction was rejected. The May Revision estimates that the savings in 2008-09 have eroded by $33.2 million ($22.5 million General Fund) as a result of not adopting the reduction during the special session.

In the 2007-08 budget, FFHs, GHs, KinGAP, and AAP cases after January 1, 2008 received a five percent increase to the basic care, specialized care, and clothing allowance rates effective January 1, 2008. FFAs were excluded from the rate increase to enable counties to recruit and retain additional foster families into the system. Prior to 2007-08, a rate increase had not been provided to foster care since July 1, 2001.

Approximately 80,000 children in foster care, including 1,700 SED, 14,000 children in the Kin-GAP program, and 7,300 children living with non-related legal guardians will be affected by the rate cut. The Administration indicates that the proposed reductions to foster care rates will result in less funding to meet the needs of children in care. In addition, the reduction in the specialized care rate may reduce the placement alternatives for children with special needs resulting in more expensive placements.

**Staff Recommendation:** Reject the proposed reduction. This funding is vital to ensuring that appropriate placements continue to exist for vulnerable children who are the State's responsibility.

## Vote-Only Issue 35: Foster Care Overpayments Budget Bill Language

**Description:** The Governor's Budget proposes budget bill language that would permit DSS to transfer state and federal local assistance funding to state operations to cover the workload costs incurred by DSS associated with the processes that DSS and the CWDA are required to develop to implement collection and repayment of foster care overpayments.

The federal government recently clarified that it requires repayment of all state and county overpayments currently verified, whether or not the overpayment has been recollected. Up to that point, the current practice was to repay the federal share of foster care overpayments upon recoupment from foster care providers. At the May Revision last year, the Administration proposed to comply with the new federal requirement by sharing the cost of the repayment with the counties according to the foster care sharing ratio, which is 40 percent state General Fund and 60 percent county funds. The Administration also proposed to retroactively apply that sharing ratio to foster care overpayments dating back to October 2003. Because the 40:60 sharing ratio is already in statute, the Administration asserted it does not need legislation to apply the ratio to repayments or to require repayments according to the ratio retroactively.

Based on concerns with the legality and fairness of the Administration's proposal, the Legislature negotiated trailer bill language with the Administration that: 1) rejects any retroactive cost-sharing of foster care overpayments; 2) requires DSS to work with the CWDA to develop a fair approach to state/county cost sharing of overpayments on a prospective basis, including repayment for legally uncollectible overpayments; 3) requires DSS to clarify policy and adopt regulations where lacking for the collection of overpayments; 4) requires DSS to gather and disseminate information and support county best practices for the prevention and recovery of overpayments; and 5) requires DSS and the Office of Systems Integration to work with CWDA to complete expedited approval of county requests to modify or implement automation systems designed to minimize overpayments and to provide counties with needed data from the CWS/CMS system to minimize overpayments.

The Governor's Budget includes $2.7 million General Fund for 2007-08 and $1.7 million ($1.2 million General Fund and $503,000 in county funds) for 2008-09 for the repayment of foster care overpayments. The DSS did not indicate during trailer bill discussions last year that they would need additional resources to implement the foster care overpayment language, nor did they submit a budget change proposal (BCP) requesting resources for 2008-09.

**Staff Recommendation:** Reject the proposed budget bill language. The Administration already has authority to administratively establish needed positions during the current year. In a year when there are cuts proposed to direct services and county administration, it is important to keep as much local assistance funding intact for those purposes and not allow it to be redirected for state workload. The DSS can submit a BCP in the future if it determines that it needs additional resources.

## Vote-Only Issue 36: Dual Agency Caseload Reduction

**Description:** The May Revision requests a decrease of $8,786,000 ($3,841,000 General Fund) due to a decrease in the estimated Dual Agency foster care population from 3,138 cases to 2,172 cases. The caseload decline represents a 31 percent decrease from the caseload estimate included in the Governor's Budget. Previous estimates were based on dual-agency caseload data from fiscal year 2005-06. The May Revision reflects caseload projections based on updated dual-agency population data.

The May Revision also requests that the following budget bill provisional language be added to Item 5180-101-0001:

"X. Notwithstanding any other provision of law, upon request by the Department of Social Services, the Department of Finance may increase the expenditure authority in this item for the purpose of funding a supplemental payment to foster parents and families receiving adoption assistance payments for children served by both regional centers and child welfare agencies pursuant to Welfare and Institutions Code Section 11464 as amended by Chapter 177, Statutes of 2007."

The Departments of Social Services and Developmental Services are required by law to establish criteria by which counties will determine which dual-agency children are eligible for the supplemental payment within 120 days of the August 24, 2007 enactment date of the dual agency statutes. The DSS and DDS have been working with counties and regional centers over the past five months to develop the criteria and a draft will be shared with stakeholders for comment on May 23, 2008. DSS expects to have the implementing instructions to counties so that they can begin approving the supplemental rate this June. The supplemental rate may be approved for some dual agency children retroactive to July 1, 2007, consistent with the dual agency statutes enacted last year.

**Staff Recommendation:** Approve the reduced funding due to caseload reductions and the proposed budget bill language.

## Vote-Only Issue 37: Kinship Guardianship Assistance Payment (Kin-GAP) Program

**Description:** The May Revision requests an increase of $10,241,000 ($3,428,000 General Fund) due to delayed implementation of program enhancements to the Kinship Guardianship Assistance Payment (Kin-GAP) program. The Governor's Budget assumed all 5,800 new Kin-GAP cases would phase-in after 24 months beginning in July 2007. However, the resolution of programmatic issues related to Medi-Cal eligibility and child support collections have delayed implementation of Kin-GAP enhancements. In addition, it is taking longer than anticipated for these cases to move through the dependency court. Caseload data suggests that the phase-in of the enhanced program will take up to 24 months beginning in January 2008. Since children will remain in the Foster Care system for a longer period of time, and will continue to require social services supervision, Foster Care and administrative savings in CWS will be lower than projected in the Governor's Budget. Offsetting savings in the CalWORKs program of $6.1 million are also included in the May Revision, to reflect fewer cases than anticipated moving out of Foster Care.

**Staff Recommendation:** Approve the request.

## Vote-Only Issue 38: Foster Family Home and Small Family Home Insurance Fund Reduction

**Description:** The Governor's Budget proposes a $127,000 General Fund reduction to the Foster Family Home and Small Family Home Insurance Fund. This represents a 10 percent cut to the annual appropriation to the fund.

The Foster Family Home and Small Family Home Insurance Fund is a depository for all funds appropriated for the purpose of paying, on behalf of foster family homes and small family homes, claims ad litem resulting from occurrences peculiar to the foster care relationship and the provision of foster care services. The fund currently contains a balance of $5.8 million in addition to the amount that is appropriated each fiscal year. At the May 5, 2008 hearing, the Subcommittee took $2.8 million on a one-time basis to reduce the ongoing reserve to $3 million, which DSS indicated is a prudent amount for this fund.

Based on additional historical information on the fund balances provided by DSS, it appears that the fund could safely sustain an ongoing 10 percent reduction and still cover claims. It should be noted, however, that this fund sustained previous reductions of $305,000 in 2004-05 and $500,000 in 2005-06. A 10 percent reduction of $127,000 is likely to be the last reduction that can be made to the annual appropriation to this fund before the amount of claims would exceed the appropriation.

**Staff Recommendation:** Approve the reduction.

## Vote-Only Issue 39: Continuing Care Contracts Branch Workload

**Description:** The Governor's Budget requests $316,000 in special fund authority and three positions to meet the increased volume and complexity of workload in the Department of Social Services' (DSS') Continuing Care Contracts Branch within the Community Care Licensing Division. Funding for these positions would come from the Continuing Care Provider Fee Fund.

This request was originally heard by the Subcommittee on April 10 and the vote to approve the request was split 1-1. Therefore, the item was held over.

**Background:** The Continuing Care Contracts Branch is responsible for the approval and oversight of Community Care Retirement Communities (CCRCs). CCRC providers offer long-term continuing care contracts that provide for residential, assisted living and skilled nursing services, usually in one location and for a resident's lifetime, to people 60 years of age or older. In exchange for those services, seniors typically pay a substantial entrance fee (usually between $100,000 and $1.5 million or more), as well as monthly care fees (generally ranging between $2,000 and $7,500). California law requires the DSS to evaluate the performance and financial health of all CCRC providers to monitor their financial position and ability to fulfill their contractual obligations to their residents. Currently there are 79 operational CCRCs in California housing in excess of 20,000 residents. Collectively, these communities have more than $7 billion in community assets and earn $1 billion in revenues annually.

In its early stages, continuing care was comprised of generally small, private, non-profit organizations, and their project proposals were typically straightforward and easy to analyze and monitor on an ongoing basis. In the mid-1980s, the industry began evolving and current providers now include large, multi-tiered corporate entities, some of which are for-profit and publicly traded, and all have complex financial structures. At that time, the CCRCs recognized the need for appropriate oversight and voluntarily proposed legislation to assess themselves fees to support that oversight.

The DSS has received between eight and 12 applications for new CCRC facilities, expansion or renovation of facilities, and acquisition of facilities or property in each of the past three fiscal years. There are currently 25 applications in various stages of processing, which can take multiple years given the complexity of the organizations and their proposals. The increase in new facilities each year also leads to an increase in the number of facilities needing annual monitoring. The Continuing Care Contracts Branch currently has six positions to fulfill all these functions.

Funding for these positions would come from the Continuing Care Provider Fee Fund. Revenues to this fund are from fees charged to CCRCs for the services that DSS provides them. Based on the current projection of the fund balance, it looks like the fund will be negative in 2011-12 with approval of this request. However, DSS indicates that they have authority to adjust the fees as necessary to cover the costs associated with their statutory oversight activities. DSS also indicates that with the increased numbers of applications, they do not believe that any fee increases will be necessary. CCRC providers and advocates support DSS' request for additional positions in this area.

**Staff Recommendation:** Approve the request.

## Vote-Only Issue 40: Community Care Licensing Trigger Language

**Description:** The May Revision requests trailer bill language that would extend the moratorium on the Community Care Licensing trigger language and require that DSS submit trailer bill language to revise the trigger by February 1, 2010.

The 2007-08 budget trailer bill (Chapter 177, Statutes of 2007) required the DSS to propose, by February 1, 2008, a new statutory methodology for triggering additional annual random visits to facilities. The DSS submitted a report on March 27, 2008, to the Legislature requesting an additional two-year delay in submitting this language. In their report to the Legislature, DSS cites the delay in automation improvements (which were due to the Governor's veto of funds the Administration requested and received for licensing automation), the need to put systems in place to measure and develop alternate triggers, the need to develop and stabilize the CCL Division's staff skills, and the preference of stakeholders as the reasons for extending the suspension of the trigger for two years and to explain their need for more time to develop a new trigger mechanism.

This issue and the report were discussed in Subcommittee on April 10, 2008.

**Staff Recommendation:** Approve the requested trailer bill language.

## Vote-Only Issue 41: Fee Exempt Live Scan Trailer Bill Language

**Description:** The May Revision requests trailer bill language to extend the suspension on the fee exempt live scan for an additional two years. The fee exemption provides a subsidy to applicants/workers in homes serving children with a capacity of six or fewer to have the State pay for the live scan and FBI background check fees. The intent of the fee exemption is to build capacity. Currently, the live scan fee is approximately $16 and the FBI fee is $19. This suspension was first enacted in 2003-04 for a savings of $2.8 million General Fund.

**Staff Recommendation:** Approve the trailer bill language.

## Vote-Only Issue 42: Food Stamp Program Administrative Reduction

**Description:** The Governor's Budget proposes to reduce funding provided to counties for administration of the federal Food Stamp Program by $34.9 million ($14.4 million General Fund), which is a four percent cut to administrative funding for the program.

The proposed reduction to county administration would result in the loss of an estimated 290 county Food Stamp eligibility workers statewide. This loss of staff would have the following impacts:

- Delayed eligibility – The cut would delay the provision of Food Stamp benefits to an estimated 116,000 parents and children each year. Services would also be cut for "immediate need" applicants, who apply for benefits in a crisis, at the same time that the numbers of these applicants is likely to grow due to the downturn in the economy.

- Fewer eligible people receiving Food Stamps – Counties have been discussing the need to increase outreach activities with the state and federal governments for a number of years in order to increase California's Food Stamp participation rate. The proposed cut would make any increased outreach impossible to achieve and could jeopardize current outreach efforts. Over time, there could also be more denials of coverage because counties will not have time to work with families to obtain necessary information and documentation to determinate eligibility, further hindering progress in improving the participation rate.

- More errors – Cuts to Food Stamp administration could erode the progress that the counties and State have made over the past five years in reducing California's error rate, opening the State up to the possibility of facing federal penalties again.

The DSS has acknowledged that the impacts described above could likely occur.

In addition, there have been no adjustments to county allocations to account for inflation in any DSS programs since 2001-02. By the Administration's estimates, the shortfall in the amount of administrative funding needed by the counties and actually provided is over $800 million (over $450 million General Fund) annually. In the Food Stamps Program alone, the underfunding is estimated to be $93.8 million ($33.9 million General Fund) annually between 2001-02 and 2006-07. Counties have partially covered the shortfall by overmatching the State's contribution with local dollars by more than $24 million annually. The Administration assumes that counties will increase this local match by an additional $9.6 million in 2008-09. Counties are likely to have difficulty maintaining the existing overmatch in light of proposed budget cuts in all county-administered health and human services programs, let alone increasing local funding for Food Stamp administration.

**Staff Recommendation:** Reject the proposed reduction. The increase to the food stamp caseload resulting from the economic downturn further compounds the already negative impacts of this cut to applicants and the program overall.

# Discussion Agenda

## 5180 Department of Social Services (DSS)

### DSS Issue 1: Face-to-Face Waiver

**Description:** The May Revision requests $1.8 million ($992,000 General Fund) for implementation of a waiver of the face-to-face interview requirement for Food Stamp Program applicants who meet specified criteria. This funding would cover additional grant costs in the California Food Assistance Program and additional administration costs resulting from the increased number of participants.

**Background:** Under current state requirements, individuals applying for Food Stamps are required to complete a face-to-face interview to document individual hardship prior to receiving benefits. The United States Department of Agriculture (USDA) permits states to exempt up to 50 percent of their caseload from the face-to-face interview requirement. The Department of Social Services (DSS) plans to submit a waiver request to the USDA to exempt from the face-to-face interview at application those households where a single head of household is working at least 30 hours per week and where couples are working at least 20 hours each per week.

DSS assumes that this proposal will mitigate the impact of the proposal to reduce county administration funding for the Food Stamp Program by four percent. Administrative efficiencies would presumably result from less time being needed to conduct the face-to-face interviews, less time needed to screen applicants to determine if they are eligible for exemption from the face-to-face interviews (since under the current requirement, some applicants may already be exempted), and less time needed to document the reasons for the exemption. DSS is not able to quantify the specific administrative savings associated with these efficiencies.

In addition, elimination of the face-to-face interview requirement for working families is expected to increase participation in the Food Stamp Program. DSS estimates that an additional 13,000 households will participate, increasing the participation rate for households working 20 to 30 hours per week from 34 percent to 42 percent. DSS notes that using the Legislative Analyst’s Office (LAO’s) estimate that 2.25 cents per food stamp dollar is realized by the General Fund, it is estimated that the increased caseload will result in an economic benefit of approximately $500,000 in 2008-09.

The increased participation will also generate additional administrative costs associated with processing and completing ongoing workload for the new cases, and additional grant costs in the California Food Assistance Program (CFAP) for the new households that qualify for that program. Of the $1.8 million requested, $1.5 million ($762,000 General Fund) is for increased administration costs and $230,000 General Fund is for additional CFAP grant costs.

Although this is a positive step toward increasing California's Food Stamp Program participation rate, it does not go nearly as far as the USDA will allow states to go in exempting applicants from the face-to-face interview requirement. As discussed in the May 5 Subcommittee hearing, California's participation rate is low, ranging from 46 percent to 56 percent, depending on how it is measured, putting California somewhere between last and 44th among the 50 states in our participation rate. This low rate results in a significant amount of lost federal funds for the State's economy, as well as reduced nutrition and increased hunger for low-income families, which is of particular concern given the recent economic downturn and dramatic increases in food prices. It is not clear why California is not doing more to assist all families suffering economic hardship who may qualify for Food Stamps to receive these benefits.

**Questions:**

1. DSS, describe the current process for applying for Food Stamps and how it would change under the face-to-face interview waiver.
2. DSS, when will the waiver be submitted to the USDA? When do you anticipate approval of the waiver?
3. DSS, why are you limiting the population in your waiver request and not maximizing the flexibility provided to states by USDA?

**Staff Recommendation:** Approve the requested funding. This proposal will help to ensure that more people who are eligible for Food Stamp benefits receive those benefits and would increase California's Food Stamp participation rate.

## DSS Issue 2: Privatization of Independent Adoptions

**Description:** The Governor's Budget proposed to privatize the Independent Adoptions Program (IAP) by transferring the direct services provision from DSS and three counties to licensed private adoption agencies. This proposal would result in net savings of $1.2 million General Fund and elimination of 18 positions in 2008-09, increasing to $2.5 million and 36 positions in 2009-10 and annually thereafter. The Subcommittee heard this issue on April 21, 2008 and held it open pending discussions between the Administration and advocates on alternatives to eliminating the IAP.

**Background:** An independent adoption is one in which the birth parent places his or her child directly with the prospective adoptive family. Independent adoptions are investigated on behalf of the court by the Department of Social Services' (DSS') seven district offices (covering 55 counties) and three county adoption agencies (Alameda, Los Angeles, and San Diego). The investigations are required by law to assess the adoptive home and determine whether the child is a proper subject for adoption. The investigation must be completed within 180 days of the filing of the adoption petition and the findings are reported to the court with a recommendation for or against the adoption petition. Current law authorizes the charging of a $2,950 fee, which helps offset the cost of the IAP. Current law also permits DSS and the three counties to defer, reduce, or waive the fee completely for low income prospective adoptive parents. There are approximately 1,000 independent adoptions finalized each year, with approximately 1,500 cases pending each month.

The total annual costs of the IAP are $5.0 million. These costs are offset by $2.5 million in fees collected annually ($1.7 million by the State and $844,000 by the three counties), leaving net annual costs of $2.5 million General Fund. According to DSS, the district offices collect 60 percent of their total fees and the State collect 52 percent of their total fees. It is not known exactly why there is a discrepancy in the fee collections by the State and counties or why fee collections are not higher, although counties do have staff dedicated to collecting the fee and the State does not.

**Impact of the Proposed Reduction:** The DSS indicates that an impact of this proposal will be that licensed private adoption agencies could significantly increase the adoption fees charged to prospective adoptive parents currently served by the IAP. The DSS estimates that, on average, the costs of an independent adoption would range from $10,000 to $20,000 under a private adoption agency. This would make adoptions less affordable and reduce the number of independent adoptions that take place. A reduction in the number of independent adoptions could lead to more children being placed in the foster care system, which is significantly more expensive.

**Alternative to Privatizing the Program:** Although the May Revision continues the proposal to privatize the IAP, the Administration has held discussions with advocates to provide technical assistance on options for raising fees enough to cover the costs of the program, without eliminating the ability of low income, prospective adoptive parents to adopt, particularly for relative adoptions. The following components of an alternative have come out of those discussions:

- The full fee could be raised from $2,950 to $4,500, the pre-placement fee could be raised from $775 to $1,550, and a minimum fee of $500 could be established. These increases should not significantly impact the current accessibility to independent adoptions through the IAP.
- Changes can be made to statute to enhance fee collections by ensuring that partial fees are paid up front and the situations in which fees may be reduced are clarified.
- DSS could increase fee collections if it had one staff dedicated to that function.

Enactment of these higher fees, providing DSS one staff dedicated to fee collections, and assuming a five percent increase in collections would yield approximately $3.3 million in fee revenue. This alternative would still require $1.8 million General Fund be provided annually to DSS and counties to cover the full costs of the program. While it does not make the IAP fully self-sufficient, it does move it closer to that goal, while keeping this adoption alternative affordable.

**Questions:**

1. DSS, describe the IAP and the potential impact of the proposal to privatize the program.
2. DSS, describe the revenue impact of the revised fees under the alternative and how the trailer bill changes will enable you and the counties to increase collections.
3. DSS, do you believe that the fee increases under the alternative will reduce the number of adoptions under the IAP?

**Staff Recommendation:** Reject the proposal to privatize the IAP. As an alternative, adopt the following:

1. Commencing October 1, 2008, increase full fees to $4,500, pre-placement fees to $1,550, and establish a minimum fee of $500.
2. The trailer bill language in Attachment I to implement those new fees and assist in higher fee collection rates.
3. Provide one AGPA and $100,000 to DSS dedicated to fee collection in the IAP.
4. Reduce the funding for IAP by $510,000 General Fund ($232,000 in state operations and $278,000 in local assistance) in 2008-09. This provides $2.011 million General Fund ($611,000 in state operations and $1.4 million in local assistance) to cover three months of IAP costs at the current fee levels and nine months of IAP costs at the higher fees.
5. Provide $1.8 million General Fund ($500,000 in state operations and $1.3 million in local assistance) for IAP in 2009-10 to reflect full-year implementation of the higher fees.

In addition, adopt noncodified trailer bill language requiring DSS to: 1) meet with stakeholders prior to Subcommittee hearings in 2009 to determine ways that the IAP process can be simplified and/or streamlined, including whether the fee amounts are appropriate and report back on those discussions with any recommendations the Department might have during the 2009 Subcommittee hearings; and 2) report back during 2009 Subcommittee hearings on how much fee collections have improved as a result of the trailer bill changes and what impact the new fees have had on the number of independent adoptions.

ATTACHMENT I – Trailer bill language for the Independent Adoptions Program

Section 8808 of the Family Code is amended to read:

8808. (a) The department or delegated county adoption agency shall interview the petitioners within forty five (45) working days, excluding legal holidays, after the filing of the adoption petition.
~~and~~ (b) The department or delegated county adoption agency shall interview all persons from whom consent is required and whose addresses are known as soon as fifty percent (50%) of the fee has been paid to the department or delegated county adoption agency. ~~possible~~ ~~and, in the case of residents of this state, within 45 working days, excluding legal holidays, after the filing of the adoption petition.~~ The interview with the placing parent or parents shall include, but not be limited to, discussion of any concerns or problems that the parent has with the placement and, if the placing parent was not interviewed as provided in Section 8801.7, the content required in that interview. At the interview, the agency shall give the parent an opportunity to sign either a statement revoking the consent, or a waiver of the right to revoke consent, as provided in Section 8814.5. (c) In order to facilitate ~~these~~ the interview described in this section, at the same time the petition is filed with the court, the petitioners shall file with the district office of the department or with the delegated county adoption agency responsible for the investigation of the adoption, a copy of the petition together with fifty percent (50%) of the fee, the names, addresses, and telephone numbers of all parties to be interviewed, if known. This section shall become operative on ~~January 1,1995~~ October 1, 2008.

Section 8810 of the Family Code is amended to read:

8810. (a) Except as otherwise provided in this section, whenever a petition is filed under this chapter for the adoption of a child, the petitioner shall pay a nonrefundable fee to the department or to the delegated county adoption agency for the cost of investigating the adoption petition. ~~Payment~~ Fifty percent (50%)of the payment shall be made to the department or delegated county adoption agency~~, within 40 days of the filing of the petition, for~~ at the time the adoption petition is filed, and the remaining balance shall be paid no later than the date determined by the department or delegated county adoption agency in an amount as follows:

(1) For petitions filed on and after ~~July 1, 2003~~. ~~two thousand nine hundred fifty dollars ($2,950)~~ October 1, 2008, four-thousand five hundred dollars ($4,500).

(2) For petitioners who have a valid preplacement evaluation at the time of filing a petition pursuant to Section 8811.5, ~~seven hundred seventy-five dollars ($775)~~ one-thousand five hundred fifty dollars ($1,550) for a postplacement evaluation pursuant to Sections 8806 and 8807.

(b) Revenues produced by fees collected by the department pursuant to subdivision (a) shall be used, when appropriated by the Legislature, to fund only the direct costs associated with the state program for independent adoptions. Revenues produced by fees collected by the delegated county adoption agency pursuant to subdivision (a) shall be used by the county to fund the county program for independent adoptions.

(c) The department or delegated county adoption agency may ~~only waive, or~~ reduce the fee to no less than $500 when the prospective adoptive parents are very low income, according to the income limits published by the Department of Housing and Community Development, and making the required payment would be detrimental to the welfare of an adopted child. The department shall develop additional guidelines regarding income and/or assets to determine the financial criteria for ~~waiver or~~ reduction of the fee under this subdivision.

Section 8820 of the Family Code is amended to read:

8820. (a) The birth parent or parents or the petitioner may appeal in either of the following cases:

(1) If for a period of 180 days from the date of ~~filing the adoption petition~~ paying fifty percent (50%) of the fee or upon the expiration of any extension of the period granted by the court, the department or delegated county adoption agency fails or refuses to accept the consent of the birth parent or parents to the adoption.

(2) In a case where the consent of the department or delegated county adoption agency is required by this chapter, if the department or agency fails or refuses to file or give its consent to the adoption after full payment has been received.

(b) The appeal shall be filed in the court in which the adoption petition is filed. The court clerk shall immediately notify the department or delegated county adoption agency of the appeal and the department or agency shall, within 10 days, file a report of its findings and the reasons for its failure or refusal to consent to the adoption or to accept the consent of the birth parent or parents.

(c) After the filing of the report by the department or delegated county adoption agency, the court may, if it deems that the welfare of the child will be promoted by that adoption, allow the signing of the consent by the birth parent or parents in open court or, if the appeal is from the refusal of the department or delegated county adoption agency to consent thereto, grant the petition without the consent.